

Borealis Exploration Limited

#800 630 8TH AVENUE SOUTH WEST
CALGARY, ALBERTA, T2P 1G6 CANADA
403-233-2218 / 503-621-3286

ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1983

BOARD OF DIRECTORS

Henry M. Beaumont, Q.C.
Chana B. Cox
Rodney T. Cox
Tagak E.C. Curley
Peter B. Fransham
Cameron O. Smith
Norman H. Ursel

OFFICERS

Rodney T. Cox, Managing Director/President
David M. Goldenberg, Secretary
Chana B. Cox, Director Planning
Peter B. Fransham, Director Field Operations

COUNSEL

David M. Goldenberg
Beaumont Proctor
Calgary, Alberta

AUDITORS

Collins Barrow
Calgary, Alberta

FINANCIAL ADVISERS

Merrill Lynch White Weld Capital Markets Group

STOCK EXCHANGE LISTINGS

Alberta Stock Exchange
Montreal Stock Exchange
Symbol: BSX

REGISTRARS AND TRANSFER AGENTS

Montreal Trust Company
411 8th Avenue S.W.
Calgary, Alberta

Montreal Trust Company
777 Dorchester Blvd., West
Montreal, Quebec

INCORPORATED

Dominion Charter: August 26, 1968
Dominion Continuance: September 10, 1979

Borealis Exploration Limited

#800 630 8TH AVENUE SOUTH WEST
CALGARY, ALBERTA, T2P 1G6 CANADA
403-233-2218 OR 503-621-3286

June 1, 1983

Dear Fellow Shareholders:

Progress continues to be made in bringing the Borealis Roche Bay Magnetite Project to production.

During this last fiscal year the Company has expanded its acreage position to over 630,000 acres, confirmed grade and ore reserves to depth, and completed various other undertakings required for the engineering of the project.

This year the Company intends to further expand its acreage position. In addition management is making every effort to maximize Canadian participation in the project. Toward this end, we are encouraging the transfer of much of the share trading to the Alberta Stock Exchange in Calgary where the Company has a known Canadian presence.

The Ontario Research Foundation is completing work on core and bulk samples. An extensive testing program is now in progress. The grade and reserves have been shown to exceed those anticipated in the Company's feasibility study. Test results have also indicated that the final product will be considerably coarser than anticipated, and as a result, less costly to produce and more easily marketed abroad. A pilot operation is scheduled for mid-summer in order to produce product for testing by potential consumers.

The 1983 summer field program has begun:

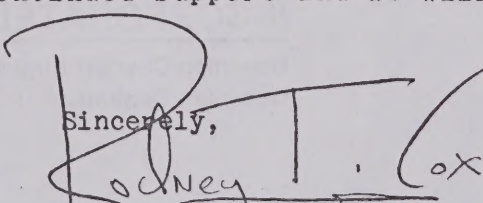
- Equipment, supplies, and housing units are being moved into the Roche Bay area and construction will begin on roads and a 5000 foot airstrip.

- Although sufficient reserves have been confirmed in the Adler and B deposits, preliminary drill hole and geophysical results on the C deposit indicate that it is considerably higher in grade and much larger than the Adler and B deposits together. Consequently, the decision has been made to drill the C deposit more extensively this summer in order to begin mining in that area.

- We are encouraged that testing at the Ontario Research Foundation has shown the presence of gold in the core samples. Further field work and testing will be required in order to reliably map out areas of significant gold and other non-ferrous mineralization. Considerable Company effort will be devoted to the evaluation of the non-ferrous geology. Although we feel that the economics for the iron alone are extraordinarily favourable, the exploitation of other minerals should have a substantial positive impact on the present discounted value of the project and on the internal rate of return.

We thank you for your continued support and we will continue to keep you informed of our progress.

Sincerely,


Rodney T. Cox

President/Managing Director
Borealis Exploration Limited

BOREALIS EXPLORATION LIMITED

INFORMATION CIRCULAR

1. SOLICITATION OF PROXIES:

This information circular is furnished in connection with the solicitation of proxies by the Management of Borealis Exploration Limited ("Company") for use at its Annual Meeting of Shareholders to be held June 29, 1983 for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by the Officers of the Company. The cost of solicitation will be borne by the Company.

The information contained here is given as of May 1, 1983, and unless otherwise indicated, all dollar figures set forth are expressed in Canadian dollars.

2. QUORUM AND VOTING:

The capital of the Company consists solely of common shares without par value of which 2,252,494 shares were outstanding at the close of business on March 31, 1983.

Each holder of a common share of record at the date of the meeting is entitled to attend the meeting and to one vote for each share. Any resolution to be voted upon at the meeting must be approved (a) by a majority of the votes cast, unless the Canada Business Corporations Act stipulates a number or proportion of the votes cast in excess of a majority in which case, by such stipulated majority or proportion; and (b) by a majority of holders of common shares present in person or by proxy.

Where common shares are beneficially owned (a) by one person but registered in the names of several person (b) by a group of persons not dealing at arm's length with each other; or (c) by a group of persons acting in concert by virtue of any contract, agreement, or other understanding, then in such case, only one person may be counted as being present in person or by proxy with respect to such shares. Borealis will determine whether shareholders were acting in concert, depending on the circumstances and evidence, if any, that shareholders were in fact so doing and should therefore be treated as one stockholder.

3. REVOCATION OF PROXIES:

Each shareholder has the power to revoke a proxy at any time insofar as it has not been exercised. In addition to revocation in any other matter permitted by law, a shareholder giving a proxy pursuant to this solicitation may revoke the proxy instrument in writing executed by the shareholder or his attorney authorized in writing, or, if the shareholder is a Corporation, under its Corporate seal or by an Officer or attorney thereof duly authorized, and deposit it either at the Head Office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof at which the proxy instrument is to be used or with the Chairman of such meeting on the day of the meeting, or adjournment thereof.

4. PRINCIPAL HOLDERS OF VOTING SHARES:

To the knowledge of the Directors and Officers of the Company, the only persons who beneficially own or exercise control or direction over shares carrying more than ten percent of the votes attached to shares of the Company are as follows:

Name	Number of Shares Beneficially Owned	% of Outstanding Shares
The Catawba Corporation	603,533	26.79%
Moncal & Co.	640,000	28.41%
The Parmenides Group	345,834	15.35%

Note: Moncal & Co. shares are held in escrow. Of those, 625,000 shares are held pending purchase and cancellation by the Company.

5. ELECTION OF DIRECTORS:

Present Directors and their terms of office are as follows:

Name	Number of Years
Cameron O. Smith	6
Rodney T. Cox	5
Chana B. Cox	4
Henry M. Beaumont	3
Peter B. Fransham	2
Norman H. Ursel	1
Tagak E.C. Curley	Up for Election

The enclosed instrument of proxy will be voted for the following proposed nominee (or for a substitute nominee in the event of contingencies not known at present) who will serve for a period of 7 years or until his successor is elected or appointed in accordance with the by-laws of the Company, or as long as is allowed under the Canada Business Corporations Act.

Tagak E.C. Curley became a Director June 21, 1982. Mr. Curley, since 1979, has been President of NUNASI Corporation (Inuit Development Corporation) and a member of the Legislative Assembly, NWT. From 1976 to 1979 he was Executive Director of Inuit Cultural Institute, Eskimo Point. He owns directly or indirectly 1 common share of Borealis Exploration Limited.

THE PRESENT POSITION AND OFFICE WITH THE COMPANY IF APPLICABLE, AND THE PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT OF THE INCUMBENT DIRECTORS AND OFFICERS ARE AS FOLLOWS. UNLESS OTHERWISE STATED, SUCH OCCUPATION OR EMPLOYMENT HAS CONTINUED FOR MORE THAN THE LAST FIVE YEARS.

Henry M. Beaumont became a Director of the Company September 10, 1979. Henry M. Beaumont is Senior Partner in the law firm of Beaumont Proctor, Calgary, Alberta. He has been a director of many private companies. Henry M. Beaumont owns directly or indirectly 1750 common shares of the Company.

Chana B. Cox has been Director of Planning of the Company since July 2, 1980, and became a Director May 18, 1982. She is also a Director and Secretary of Thales Resources, Inc., and is a partner in The Parmenides Group. Chana B. Cox beneficially owns directly or indirectly 105,058 common shares of the Company.

Rodney T. Cox has been Managing Director/President, and Chief Operating Officer of the Company since December 27, 1978, at which time he also became a Director. He is a Director of Thales Resources, Inc., and is a partner in The Parmenides Group. Rodney T. Cox beneficially owns directly or indirectly 105,059 common shares of the Company.

Peter B. Fransham has been a Director and Director of Field Operations of the Company since January 1, 1983. 1981-1983 Mr. Fransham was with Hardy Associates where he was a Senior Engineering Geologist. 1978-1981 he was Assistant Professor University of Waterloo, while 1975-1978 he was with the Geological Survey of Canada. He owns directly and indirectly 3407 common shares of Borealis Exploration Limited.

Cameron O. Smith became a Director of the Company December 19, 1978. He is an employee of the Catawba Corporation of which he became a Director in July 1977. In July 1978 Cameron O. Smith became Vice President and a President of Taconic Petroleum Corporation. Cameron O. Smith owns directly or indirectly 10,151 common shares of the Company.

Norman H. Ursel became a Director May 18, 1982, and June 1, 1982 to April 1, 1983 was Director of Development. He is the President of Norman H. Ursel Associates Limited. As of June 1, 1982, he owned directly and indirectly 24,100 common shares of Borealis Exploration Limited.

6. REMUNERATION OF MANAGEMENT:

During fiscal 1983, 8,220 shares and \$44,900 in cash with a value of \$223,419 was paid to management as independent consultants for services rendered.

In addition, the Directors received \$10.00 for each Director's meeting attended. There is no reimbursement to Directors for expenses related to attending Directors' meetings.

7. APPOINTMENT OF AUDITORS:

Unless otherwise specified therein, it is intended to vote the accompanying proxy instrument to appoint Collins Barrow, the present auditors of the Company, as auditors of the Company, to hold office until the next annual meeting of shareholders, and to authorize the Directors to fix their remuneration.

8. DIRECTORS AND OFFICERS INSURANCE:

The Company does not have any insurance in effect for the benefit of the Company and its Directors and Officers in respect of the performance by them of the duties of their office.

9. INTEREST OF LARGE SHAREHOLDERS IN MATERIAL TRANSACTION WITH BOREALIS EXPLORATION LIMITED.:

The Parmenides Group has assumed certain of the operating costs of the Company, has lent funds at cost to the Company, and has guaranteed without remuneration Company obligations.

10. GENERAL:

The Management knows of no matters to come before the Annual Meeting other than the matters referred to in the Notice of the Meeting. If any matters which are not now known to the Management should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person or persons voting it.

The contents in sending of this information have been approved by the Directors of the Company.

Dated this First day of June, 1983.

Rodney T. Cox
Managing Director/President
Borealis Exploration Limited

COLLINS BARROW

CHARTERED ACCOUNTANTS

VANCOUVER CALGARY EDMONTON WINNIPEG
SUDBURY TORONTO OTTAWA MONTREAL
QUEBEC CITY HALIFAX MONCTON
AND OTHER CITIES IN CANADA

REPRESENTATIVES IN PRINCIPAL
AREAS OF THE WORLD

TELEPHONE (403) 263-6075
800 GULF CANADA SQUARE
401-9TH AVENUE S.W.
CALGARY, CANADA T2P 3C5

AUDITORS' REPORT

To the Shareholders
Borealis Exploration Limited

We have examined the consolidated balance sheet of Borealis Exploration Limited as at March 31, 1983 and the consolidated statements of exploratory and development and general and administrative expenses deferred, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1983 and the changes in its exploratory and development and general and administrative expenses deferred and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Collins Barrow
CHARTERED ACCOUNTANTS

Calgary, Canada
May 13, 1983

BOREALIS EXPLORATION LIMITED

(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

MARCH 31, 1983

	1983	1982
ASSETS		
Current assets		
Cash and deposit receipts	\$ -	\$ 60,848
Accrued interest receivable	-	155
	-	61,003
Mining leases	15,310	15,310
Exploratory and development and general and administrative expenses deferred	3,473,519	1,298,261
	\$ 3,488,829	\$ 1,374,574
LIABILITIES		
Current liabilities		
Bank indebtedness (note 2)	\$ 266,722	\$ -
Accounts payable and accrued liabilities	144,364	41,124
	411,086	41,124
Agreement payable	-	109,000
Obligation to issue shares	-	241,451
Note payable (note 3)	719,404	-
SHAREHOLDERS' EQUITY		
Capital stock (note 4)		
Authorized		
Unlimited common shares without par value		
Issued	2,579,649	1,204,178
2,252,494 shares (2,197,301 shares in 1982)	(221,310)	(221,179)
Deficit	2,358,339	982,999
	\$ 3,488,829	\$ 1,374,574

Contingent liabilities (note 7)

Approved on behalf of the Board,

Colwyn T. Cox, Director

Chana B. Cox, Director

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF EXPLORATORY AND DEVELOPMENT AND

GENERAL AND ADMINISTRATIVE EXPENSES DEFERRED

YEAR ENDED MARCH 31, 1983

	Balance March 31, 1982	Additions	Balance March 31, 1983
Exploratory and development expenses Melville Peninsula, District of Franklin	320,064	35,458	355,522
Geological fees and expenses	28,125	12,056	40,181
Assays	280,409	133,868	414,277
Direct administration	149,000	37,389	186,389
Engineering study	11,510	352	11,862
Transportation study	-	66,427	66,427
Salaries and benefits	-	565,001	565,001
Drilling	-	21,022	21,022
Contractors fees	-	358,787	358,787
Transportation and travel	-	28,163	28,163
Camp and accommodation	-	18,894	18,894
Equipment rental	-	508,179	508,179
Consultants fees and expenses	-	81,052	81,052
Fuel, materials and supplies	-	10,540	10,540
Miscellaneous	-	50,006	50,006
Trenching	-	14,018	14,018
Surveying	-	-	-
Northern Mineral Exploration Assistance Program	(9,036)	-	(9,036)
Geological equipment, less accumulated depreciation	780,072	1,941,212	2,721,284
	1,783	25,481	27,264
Total exploratory expenses	781,855	1,966,693	2,748,548
General and administrative expenses Financial, technical and other services under contract	95,246	-	95,246
Salaries and office services	56,768	-	56,768
Interest and exchange	381,671	81,867	463,538
Legal and accounting	78,317	44,250	122,567
Specialized services	68,421	851	69,272
Shareholders' expenses	57,627	23,180	80,807
Depreciation	18,377	9,710	28,087
Professional fees and services	349,640	8,510	358,150
Office, travel and miscellaneous	111,709	40,197	151,906
Interest income	(41,809)	-	(41,809)
Less: Amounts recovered from partners	1,175,967	208,565	1,384,532
	111,325	-	111,325
Less: Portion of general and administrative expenses considered allocable to interests abandoned or sold	1,064,642	208,665	1,273,307
	548,236	-	548,236
Total general and administrative expenses	516,406	208,565	724,971
	\$ 1,298,261	\$ 2,175,258	\$ 3,473,519

BOREALIS EXPLORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1983

	1982	1983
Working capital was provided by		
Issue of common shares	\$ 6,400,471	\$ 172,183
Obligation to issue shares	-	241,451
Agreement payable	719,404	109,000
Note payable	-	-
	7,119,875	522,634
Working capital was used for		
Exploratory and development and general and administrative expenses deferred	2,209,968	511,913
Deduct		
Depreciation	9,710	459
Redemption of shares	2,200,258	511,454
Reduction in agreement payable	5,000,000	20,000
Reduction in obligation to issue shares	109,000	-
Write off of miscellaneous equipment	241,451	-
	7,550,840	531,454
Increase (decrease) in working capital	(430,965)	(8,820)
Working capital, beginning of year	19,879	28,699
Working capital (deficiency), end of year	\$ (411,086)	\$ 19,879
<u>BOREALIS EXPLORATION LIMITED</u>		
<u>CONSOLIDATED STATEMENT OF DEFICIT</u>		
<u>YEAR ENDED MARCH 31, 1983</u>		
	1982	1983
Deficit, beginning of year	\$ 221,179	\$ 210,909
Add: Excess of consideration paid over book value of redeemed shares	-	10,270
Write off of miscellaneous equipment	131	-
	131	10,270
Deficit, end of year	\$ 221,310	\$ 221,179

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1983

1. Summary of significant accounting policies

(a) Mining operations

The properties in which the company has interests are in the development stage and, accordingly, all expenditures (less revenues and amounts recovered from partners and others) by the company have been capitalized or deferred, except that costs and expenses applicable, or considered allocable to areas abandoned and other losses have been charged to deficit. Gains or loss on disposal of mining claims or leases are ordinarily credited or charged to the deficit account.

The ultimate recovery of the costs of the mining leases and the exploratory and development and general and administrative expenses deferred is dependent upon the company's ability to complete a bankable study and obtain adequate financing in order to complete the development of the property.

No provision for amortization of the amount carried for mining leases or for exploratory and development and general and administrative expenses deferred is included in the accompanying financial statements.

Depreciation has been provided for on geophysical equipment using the declining balance method based on its estimated useful life.

(b) Principles of consolidation

The consolidated financial statements include, in addition to the accounts of the company, the accounts of its wholly-owned subsidiary, Borealis Exploration Incorporated.

2. Bank indebtedness

The bank indebtedness is comprised of the following:

Bank overdraft	\$ 44,620
Bank loan	222,102
	<u>\$ 266,722</u>

The bank indebtedness is personally guaranteed by one of the company's major shareholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1983

3. Note payable

The note payable arises from cash advances made by a major shareholder of the company. The note payable has no stated terms of repayment and bears interest at cost to the shareholder. The shareholder has indicated that no repayment will be required in the next fiscal year.

4. Capital stock

(a) Issued capital stock of the company consists of the following:

	Number of Shares	Stated Value
Balance March 31, 1982	2,197,301	\$ 1,204,178
Issued in settlement of loan from shareholder	2,859	57,180
Issued in exchange for land held for resale	200,000	5,000,000
Issued in exchange for services	42,334	1,076,840
Issued for cash	10,000	241,451
Less: Shares redeemed as agreement for land held for resale was rescinded	(200,000)	(5,000,000)
Balance March 31, 1983	2,252,494	\$ 2,579,649

(b) The company has issued 10,000 common shares of the company to a major shareholder at a price of \$20 U.S. (\$24.14 Canadian) per share, for a total consideration of \$200,000 U.S. (\$241,451 Canadian). The shareholder has also acquired the right to purchase 10,000 common shares for a price of \$50 U.S. per share on or before March 1, 1984.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1983

4. Capital stock (continued)

(c) The company has entered into agreements with two shareholders, whereby 625,000 shares may be redeemed by the company for a nominal amount of \$1 per share on or before November 1, 1982 and \$1.50 per share after November 1, 1982. 25,000 shares are to be redeemed after March 31, 1983. The redemption of the remaining 600,000 shares is contingent upon the company acquiring \$10,000,000 of expenditures or equivalents on or before November 1, 1983. In addition, 15,000 shares are deposited with a trustee, which will be restricted from trading except under the following events:

i) 7,500 shares shall be released on the commitment for financing necessary to bring the Roche Bay Magnetite project into production.

ii) 7,500 shares shall be released upon the corporation bringing the Roche Bay Magnetite project into commercial production.

(d) By authorization of the company, the president, at his sole discretion, can authorize the issue of up to 1,000 shares per month of the company to any individual as compensation for work done for or on behalf of the company.

(e) 42,334 shares were authorized and issued for services rendered during the year (1982 - 5,733 shares).

5. Statutory information

The company has seven directors. 8,220 (4,469 in 1982) shares were issued, and \$44,900 in cash was paid during the year for a total of \$223,419 (\$141,783 in 1982) as remuneration for services rendered by the directors and senior officers (including the five highest paid employees) of the company.

6. Audit committee

The company has not appointed an audit committee as is apparently required under provisions of the Canada Business Corporations Act. Subsequent to the year-end, the company has undertaken to set up an audit committee as required under the Act.

7. Contingent liabilities

The company has posted letters of credit in the amount of \$57,019 in favour of the Receiver General for Canada in connection with the acquisition of certain exploration permits. The letters of credit are guaranteed by a major shareholder.

Borealis Exploration Limited

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